



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

July 8, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

Andrea Sheridan Ordine
County Counsel

Board of Supervisors
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First District

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Third District

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Fifth District

JOINT REPORT OF RISK MANAGEMENT GOALS AND OBJECTIVES – FISCAL YEAR 2011-12

As mentioned in our previous report to your Board dated November 9, 2010, the Chief Executive Office (CEO) County Risk Manager and the County Counsel Litigation Cost Manager have prepared a joint report of Fiscal Year 2011-12 goals and objectives that support the risk management and litigation cost programs, and reduction of the County of Los Angeles' (County) exposure to litigation.

With your Board's approval, it was decided to have this report issued during the Spring of each year to better facilitate the departmental planning processes, allow a more adequate focus on risk management issues, and better align the discussion of goals and objectives with the budgeting processes of the departments.

Legal Exposure Reduction Committee

The Legal Exposure Reduction Committee (LERC) was originally created to include representation from the departments with the highest frequency and severity of liability claims and lawsuits. The goal of the Committee was to develop initiatives to reduce exposures and control the cost of third-party litigation and workers' compensation. The first significant initiative from LERC was the development of a robust training program which has, to date, educated over 13,000 County employees on issues related to the workers' compensation system, Fair Employment and Housing Act, Reasonable Accommodation, and the Interactive Process relative to returning disabled or injured employees to work. During the last year, the Committee has been expanded to include representation from all departments on either the master LERC committee or one of its sub-committees or strike teams. LERC has also become the vehicle for

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advancing the County's Strategic Plan relative to the Risk Management Initiative focused on reducing the cost of workers' compensation and return-to-work programs, vehicle liability, and employment practices liability. Sub-committees have been created to address each of these issues, as well as risk management classifications, training and communication, and medical malpractice.

Risk Management Information System

A number of Risk Management Information System (RMIS) enhancements have been approved and are currently in progress to provide County Counsel, CEO staff, and the CEO's Third Party Administrators (TPAs), better functionality to effectively manage the County's tort liability claims and litigation processes. The following enhancements contain various steps and are projected to be completed by June 30, 2012.

- Work Order 13 – Includes system enhancement for eCAPS time collection, creating interface to eCAPS.
- Work Order 14 – RMIS Orbit Enhancements includes enhancement of the Online Business Intelligence Tool (ORBIT), which is used by departments to create and manage liability data reports.

In addition, a project team composed of CEO Information Technology Services, CEO Risk Management Branch, and County Counsel has been created to evaluate alternative ways of managing both liability and workers' compensation claims with a focus on migrating this responsibility to the TPAs, all of whom have more updated technology than the County. This will necessitate a data aggregation approach to RMIS. Several risk management information system alternatives are being evaluated by the project team. The goal is to incorporate claims management migration into the TPA contracts at renewal in 2012 and 2013, and to have a data aggregation risk management information system in place when the current RMIS contract expires in 2012. This approach could potentially save hundreds of thousands of dollars per year by eliminating the need for County-controlled claims management systems, while providing departments with more useful data, including dashboards, which will allow them to better understand and manage their risks.

Claim Intake and Adjusting Process

Roles and responsibilities of County Counsel and the CEO over the claim intake process will be modified to give the CEO more responsibility for initial processing and adjusting the majority of tort claims (excluding employment practices liability) to allow County Counsel to focus more of their efforts on the litigation management process. In concert with the TPAs, CEO will focus on prompt and thorough investigation of claims and settlement of legitimate claims before litigation is initiated, with the goal of eliminating the expense of litigating claims where liability is clear. In cases where liability is disputed or unfounded, or when reasonable settlement cannot be achieved, the enhanced focus on investigation should provide defense counsel with more timely and complete data in order to aggressively defend the case. Furthermore, it is anticipated that by getting an earlier look at claims, corrective action plans can be initiated when problems are identified not when settlement is imminent.

Electronic Bill Review System

On March 28, 2011, the County entered into an agreement with CT Tymetrix, Inc., for the purchase of an advanced electronic billing (e-billing) system for the receipt, management, and payment of invoices from law firms that provide services to the County. The new e-billing system will replace the current paper-based invoice review and approval process with a fully automated web-based work flow solution. In addition to offering real-time, on-line tracking of expenditures against budgeted allowances, the new e-billing system will pre-screen invoices for adherence to established guidelines, provide for invoice routing and e-alerts to approving personnel, and allow detailed invoice line-item audits and budget analysis. The new system will be linked to the current RMIS database, but have its own matter management functionality which may be converted to County use when the existing RMIS is replaced, at a pre-negotiated nominal fee. It is anticipated that the new CT Tymetrix e-billing system will be fully implemented by the end of the calendar year.

Inmate Litigation Pricing Model Study

Despite presenting relatively moderate exposure, litigation initiated by inmates in County detention facilities often results in significant attorney fees and costs. Many of these cases are brought by the inmates themselves, and judges often provide such claimants wide latitude in prosecuting their civil rights actions. County Counsel is currently identifying such actions and related costs, and studying various alternative pricing models, including fixed, flat, and capped rates. If warranted, a pilot program will be initiated involving a number of selected contract firms which are agreeable to handling such matters on an alternative-fee-arrangement basis. It is anticipated that the study will be completed by September 30, 2011, and that a pilot program will be in place by March 30, 2012. If the program provides successful, County Counsel will explore the feasibility of applying the pricing models to other types of litigation.

Department-Level Employee Complaints

Employment litigation cost the County nearly \$25 million in Fiscal Year 2009-10. During that fiscal year, efforts were undertaken by County Counsel to provide enhanced legal guidance to departments in the investigation, evaluation, and handling of Employment claims. It is the goal of County Counsel in Fiscal Year 2010-11 to extend this legal assistance to include department-level complaints – those complaints made by employees directly to departmental managers and human resources representatives, and advising the department on addressing issues concerning the complaining employee during the complaint process. The goal is to provide immediate legal access for Human Resources personnel and managers so that attorneys and departmental personnel can work in tandem to address complaints at the department-level before they mature into more expensive formal claims or lawsuits and to avoid additional exposure to liability as the department interacts with the employee. Assignment of specifically qualified attorneys to appropriate departmental personnel will be completed by December 2011.

Quarterly Employment Bulletin

County Counsel will issue a quarterly employment bulletin directed to Human Resources personnel in those departments which are currently experiencing the most costly Employment litigation expenses. These bulletins will provide concise alerts relating to changes in Employment law, trial outcomes, litigation trends, and recommendations and warnings addressing specific areas of concern. The bulletin will also provide contact information for those attorneys currently available to provide advice in selected areas of Employment law. Initially, this bulletin will only be provided to Human Resources personnel at selected departments which are currently experiencing the most costly employment litigation. It is anticipated that the first bulletin will be issued in October 2011.

Third Party Administrators – Carl Warren & Company and Sedgwick Claims Management Services

The County utilizes the claims administration services of two TPAs, Carl Warren & Company (Carl Warren) and Sedgwick Claims Management Services (Sedgwick). Carl Warren administers General Liability, Dangerous Condition, Automobile Liability, Foster Care Liability, and certain Employment claims, as well as the resulting litigation. Among other things, Sedgwick administers the Medical Malpractice claims and litigation. Pursuant to new procedures, County Counsel has increased its participation in the claims process involving both Employment and Dangerous Condition/Roadway claims. Also, with the introduction of the Litigation Severity Index and Management Protocols, County Counsel has assumed a larger role in the resulting litigation involving these claims, as well as litigation involving General Liability, Automobile Liability, and Foster Care Liability. In fact, County Counsel has assumed exclusive responsibility (by handling cases in-house) for approximately one-half of the litigated cases previously administered by Carl Warren. County Counsel and the CEO are currently engaged in a joint effort to identify and eliminate duplication in the handling of claims and litigation with the ultimate goal of reducing costs, including the TPA contract costs.

Similar efforts are also underway involving the costs associated with Medical Malpractice cases. As there has been a significant decline in Medical Malpractice cases over the recent years, County Counsel and the CEO are attempting to achieve short-term savings by means of a reduction in the Sedgwick contract price. The longer term goal is to utilize the information and strategies developed in these reviews to construct more efficient and cost-effective models, thereby achieving savings as to both of the TPA contracts when they are re-solicited over the next year.

For additional information, your staff may contact Laurie Milhiser, County Risk Manager, at (213) 351-5346, or Steven H. Estabrook, Litigation Cost Manager, at (213) 974-1762.

If you have any questions, please have your staff contact Ellen Sandt at (213) 974-1186 or esandt@ceo.lacounty.gov.

WTF:ASO:ES
LM:SHE:sg

c: All Department Heads